

ADAM SUGAR MILLS LIMITED



HALF YEARLY REPORT

**FOR THE HALF YEAR ENDED
MARCH 31, 2009**



**IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL**

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VISION

To be the leader in sugar industry by building the Company's image through quality improvement, competitive prices and meeting social obligations.

MISSION

- To endeavour to be the market leader by offering high quality sugar to our customers at competitive prices.
- To continue improving operating performance and profitability thereby ensuring growth for the Company while serving best interest of shareholders.

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. GHULAM AHMED ADAM
MR. SYED RAFIQUE MOHAMMAD SHAH
MR. ABDUL KARIM
MR. JAWAID AHMED
LT. COL. (R) MUHAMMAD MUJTABA
MR. JUNAID G. ADAM
MR. OMAR G. ADAM

AUDIT COMMITTEE (all non-executive directors)

CHAIRMAN
MEMBER
MEMBER

MR. JUNAID G. ADAM
MR. JAWAID AHMED
MR. OMAR G. ADAM

DIRECTOR FINANCE/ CORPORATE SECRETARY

MR. QAMAR RAFI KHAN, ACA

AUDITORS

HAROON ZAKARIA & COMPANY
Chartered Accountants

REGISTERED OFFICE

HAJI ADAM CHAMBERS,
ALTAF HUSSAIN ROAD,
NEW CHALLI, KARACHI-2.

FACTORY

CHAK NO. 4, FORDWAH, CHISHTIAN
DISTRICT BAHAWALNAGAR

WEBSITE ADDRESS

www.adam.com.pk/Adamsugar.htm



ADAM SUGAR MILLS LIMITED

**IN THE NAME OF ALLAH
THE BENEFICENT, THE MERCIFUL**

CHIEF EXECUTIVE'S REVIEW

On behalf of the Board of Directors, I am pleased to present to you the unaudited accounts of the company for the half year ended 31 March, 2009.

The mills crushed 256,030 tons of sugarcane at an average recovery of 9.47% and produced 24,835 tons of sugar as compared to 321,409 tons of sugarcane at an average recovery of 9.03% and produced 28,945 tons of sugar in the previous season.

This year the government raised the sugarcane price from Rs. 60/= per 40 kg to Rs. 80/= per 40 kg. However due to shortage of sugarcane, we were compelled to purchase sugarcane at very high rate.

The production is less than previous year but, due to good recovery, the company managed to earn satisfactory profit in comparison to last year.

Your directors appreciate the spirit and cooperation shown by the officers, staff and workers.

(GHULAM AHMED ADAM)
CHIEF EXECUTIVE

Karachi: 27 May, 2009



INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENT TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ADAM SUGAR MILLS LIMITED** as at March 31, 2009, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the condensed notes forming part thereof (here-in-after referred to as the "Interim financial statement") for the six month period ended March 31, 2009. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended March 31, 2009 and 2008 have not been reviewed as we are required to review only the cumulative figures for the six months period ended March 31, 2009.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Conclusion

Based on our review, we report that:

- (a) In the previous year the company had recognized sales made to one of the customer on the basis of contractual arrangement in contravention of accounting policy of the company. Had the revenue been recognized as per accounting policy, profit after tax for the reported period would have been increased by Rs. 34.188 million.

Except for the matter stated in paragraph (a), nothing has come to our attention that caused us to believe that the annexed condensed interim financial statements are not presented fairly, in all materials respects, in accordance with approved accounting standards as applicable in Pakistan.

Place: Karachi
Dated: 27 May, 2009

HAROON ZAKARIA & COMPANY
Chartered Accountants



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2009

	Note	March 31, 2009 (Un-audited)	September 30, 2008 (Audited)
..... (Rupees)			
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	805,453,598	800,512,170
Long term deposits		1,543,450	1,541,450
Current Assets			
Biological assets- at fair value		446,614	446,614
Stores and spares	6	52,679,152	48,398,013
Stock in trade	7	774,617,874	173,825,326
Trade debts	8	–	197,561,594
Loans, advances, deposits and prepayments	9	36,930,393	49,971,186
Cash and bank balances	10	51,899,489	46,141,714
		916,573,522	516,344,447
TOTAL ASSETS		1,723,570,570	1,318,398,067
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised 10,000,000 ordinary shares of Rs. 10/- each		100,000,000	100,000,000
Issued, subscribed and paid-up capital		57,636,540	57,636,540
Reserves and Surplus			
General Reserve		15,000,000	15,000,000
Accumulated Profit		108,594,003	86,052,562
		123,594,003	101,052,562
Total shareholders' equity		181,230,543	158,689,102
Surplus on revaluation of fixed assets		279,276,178	285,737,287
NON CURRENT LIABILITIES			
Long term loans and finance	11	290,657,770	297,991,104
Liabilities against asset subject to finance lease		13,566,945	15,949,434
Deferred liabilities	12	179,754,958	94,874,054
		483,979,673	408,814,592
CURRENT LIABILITIES			
Short term borrowings	13	544,296,500	333,000,656
Creditors, accrued and other liabilities	14	199,416,159	100,422,729
Current maturity of long term liabilities		19,512,806	15,142,275
Unclaimed dividend		1,738,469	1,738,469
Provision for taxation		14,120,242	14,852,957
		779,084,176	465,157,086
Contingencies and commitment	15		
TOTAL CAPITAL AND LIABILITIES		1,723,570,570	1,318,398,067

The annexed notes form an integral part of these financial statements

Karachi:
Dated: 27 May, 2009

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2009

	Note	Half yearly ended		Quarter ended	
		March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
..... Rupees					
Sales - net	16	352,393,353	304,625,673	132,390,799	120,974,673
Cost of sales		210,034,557	261,970,270	14,479,820	61,331,270
Gross Profit		142,358,796	42,655,403	117,910,979	59,643,403
Operating expenses					
Administrative expenses		15,671,694	11,608,713	9,035,506	5,714,713
Selling expenses		929,674	791,111	789,093	695,111
		16,601,368	12,399,824	9,824,599	6,409,824
Operating profit		125,757,428	30,255,579	108,086,380	53,233,579
Other income		9,544,419	9,000	6,937,826	6,000
		135,301,847	30,264,579	115,024,206	53,239,579
Financial charges		25,472,768	14,527,445	14,855,051	9,652,445
Workers profit participation fund		5,491,454	-	5,013,694	-
Workers welfare fund		3,448,330	-	3,270,341	-
		34,412,552	14,527,445	23,139,086	9,652,445
Profit before taxation		100,889,295	15,737,134	91,885,120	43,587,134
Taxation					
- Current		-	1,523,128	-	605,128
- Deferred		84,808,963	(7,263,561)	84,808,963	-
		84,808,963	(5,740,433)	84,808,963	605,128
Profit after taxation		16,080,332	21,477,567	7,076,157	42,982,006
Earning per share- basic and diluted		2.79	3.73	1.23	7.46

The annexed notes form an integral part of these financial statements



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2009

	March 31, 2009	March 31, 2009
..... (Rupees)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	100,889,295	15,737,134
Adjustment for:		
Depreciation	19,487,049	18,812,835
Financial charges	25,472,768	14,327,809
Provision for gratuity	71,941	-
Liabilities written back	(9,368,925)	-
Loss on sale of fixed asset	46,030	-
	35,708,863	33,140,644
Operating profit before working capital charges	136,598,158	48,877,778
Decrease / (Increase) in current assets		
Stores and spares	(4,281,139)	960,887
Stock in trade	(600,792,548)	(314,062,736)
Trade debtors	197,561,594	(6,947,740)
Loans, advances, prepayments and other receivable	17,672,670	(12,935,605)
Increase / (decrease) in current liabilities	-	-
Creditors, accrued and other liabilities	105,823,644	75,186,593
	(284,015,779)	(257,798,601)
Cash (used in) / generated from operations after working capital changes	(147,417,621)	(208,920,823)
Financial charges paid	(22,934,057)	(13,129,184)
Long term deposit - net	(2,000)	(27,400)
Taxes paid - net	(5,364,592)	(3,846,383)
	(28,300,649)	(17,002,967)
Net cash (used in) / generated from operating activities	(175,718,270)	(225,923,790)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,093,311)	(824,775)
Addition in capital work in progress	(23,681,196)	(5,102,930)
Proceeds from sale of fixed assets	300,000	-
Net cash (used in) investing activities	(24,474,507)	(5,927,705)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term loan-net	(3,029,174)	(7,000,000)
Proceeds from short term loans- net	211,295,844	-
Repayment of lease liability	(2,316,118)	(2,061,680)
Net cash generated from / (used in) from financing activities	205,950,552	(9,061,680)
Net increase/ (decrease) in cash and cash equivalents	5,757,775	(240,913,175)
Cash and cash equivalents at the beginning of the period	46,141,714	(196,815,757)
Cash and cash equivalents at the end of the period	51,899,489	(437,728,932)
Cash and cash equivalents at the end of the period		
Cash and bank balances	51,899,489	59,583,024
Short term borrowings	(544,296,500)	(497,311,955)
	(492,397,011)	(437,728,931)

The annexed notes form an integral part of these financial statements.

Karachi:
Dated: 27 May, 2009

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



ADAM SUGAR MILLS LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2009

Description	Share Capital	General Reserves	Accumulated Profit/(Loss)	Total
 Rupees			
Balance as October 1, 2007	57,636,540	15,000,000	33,907,873	106,544,413
Profit for the six months October 2007 to March 2008	-	-	21,477,567	21,477,567
Incremental depreciation transferred from surplus on revaluation of fixed assets	-	-	6,901,318	6,901,318
Balance as at March 31, 2008	57,636,540	15,000,000	62,286,758	134,923,298
Profit for the six months April 2008 to September 2008	-	-	17,035,296	17,035,296
Incremental depreciation transferred from surplus on revaluation of fixed assets	-	-	6,730,508	6,730,508
Balance as at September 30, 2008	57,636,540	15,000,000	86,052,562	158,689,102
Profit for the six months October 2008 to March 2009	-	-	16,080,332	16,080,332
Incremental depreciation transferred from surplus on revaluation of fixed assets	-	-	6,461,109	6,461,109
Balance as at March 31, 2009	<u>57,636,540</u>	<u>15,000,000</u>	<u>108,594,003</u>	<u>181,230,543</u>

The annexed notes form an integral part of these financial statements.

Karachi:
Dated: 27 May, 2009

GHULAM AHMED ADAM
Chief Executive

OMAR G. ADAM
Director



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2009

1. THE COMPANY AND ITS OPERATIONS

Adam Sugar Mills Limited (the Company) was Incorporated in Pakistan in 1965 as a public limited company. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The Company is principally engaged in the Manufacturing and Sale of Sugar. The Company's registered office is situated at Haji Adam Chambers, Altaf Hussain Road, New Chali, Karachi.

2. BASIS OF PREPARATION

These unaudited financial statements have been subject to limited scope review by the auditors and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi and Lahore Stock Exchanges of Pakistan and have been prepared in accordance with the requirements of the International Accounting Standard, 34 interim financial reporting as applicable in Pakistan. These condensed interim financial Statements does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements of the company for the year ended September 30, 2008.

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and methods of computation followed for the preparation of these financial statements are same as those applied in preparing the financial statements for the year ended September 30, 2008.

4. ACCOUNTING ESTIMATES, JUDGMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended September 30, 2008.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended September 30, 2008

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	5.1	783,714,308	733,698,509
Capital Work in progress	5.2	21,739,290	66,813,661
		805,453,598	800,512,170
		805,453,598	800,512,170



ADAM SUGAR MILLS LIMITED

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
5.1 Operating Fixed Assets			
Opening Written down Value		733,698,509	742,761,651
Additions	5.1.1	69,848,878	29,983,015
Disposal	5.1.2	(346,030)	-
Depreciation charged		(19,487,049)	(39,046,157)
		<u>783,714,308</u>	<u>733,698,509</u>
5.1.1 Additions to fixed assets-tangible			
Factory building on free hold land		328,673	7,725,053
Plant and machinery	5.1.1.1	69,186,711	21,122,066
Computer and other equipments		200,200	73,500
Vehicles		-	599,630
Office equipments		73,276	68,000
Furniture and fixture		2,200	3,000
Tools and other equipments		57,818	391,766
		<u>69,848,878</u>	<u>29,983,015</u>
5.1.1.1 This includes amount of Rs. 68,755,567 transfer from Capital work in progress.			
5.1.2 Disposals of fixed assets at cost- tangible			
Vehicles - cost		(1,650,000)	-
5.2 Capital Work in progress			
Opening balance		66,813,661	-
Additions during the year		23,681,196	66,813,661
Transfer to Fixed assets		(68,755,567)	-
		<u>21,739,290</u>	<u>66,813,661</u>
6. STORES AND SPARES			
Stores		38,624,179	35,335,391
Spares		14,054,973	13,062,622
		<u>52,679,152</u>	<u>48,398,013</u>
7. STOCK IN TRADE			
Sugar in process		1,999,427	12,405,907
Finished goods			
- sugar		757,089,297	161,419,419
- molasses		15,529,150	-
		<u>774,617,874</u>	<u>173,825,326</u>



ADAM SUGAR MILLS LIMITED

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
8. TRADE DEBTS			
Unsecured- Considered good		-	197,561,594
9. LOANS, ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Loans - unsecured (considered good)			
- growers		4,492,612	3,462,748
- staff	2,098,540	1,681,211	
		6,591,152	5,143,959
Advances - unsecured			
Considered good			
- suppliers		19,636,180	20,891,980
- expenses		-	217,350
- income tax		8,878,824	4,246,947
		28,515,004	25,356,277
Considered doubtful			
- suppliers		490,932	490,932
- provision against considered doubtful		(490,932)	(490,932)
		-	-
		28,515,004	25,356,277
Prepayments		275,966	4,669,507
Others receivables - unsecured			
Considered good			
- due from Provident Fund		536,598	13,450,476
- others		1,011,673	1,350,967
		1,548,271	14,801,443
		36,930,393	49,971,186
10. CASH AND BANK BALANCES			
Cash in hand		2,932,753	940,383
Cash at banks in current accounts - local currency		48,966,736	45,201,331
		51,899,489	46,141,714



ADAM SUGAR MILLS LIMITED

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
11. LONG TERM LOANS AND FINANCES			
Unsecured - from related party			
Subordinated loan	11.1	239,324,437	239,324,437
Secured - from banking companies			
Demand Finance Facility - I	11.2	-	3,029,174
Demand Finance Facility - II	11.3	66,000,000	66,000,000
		66,000,000	69,029,174
		305,324,437	308,353,611
Current maturity shown under current liabilities		14,666,667	10,362,507
		290,657,770	297,991,104

11.1 This represents an interest free long term loan from Chief Executive of the company and not payable within twelve months from balance sheet date.

11.2 This represents one time demand finance facility of Rs. 70.00 million and carries markup at the rate of average of 6 months KIBOR plus 2% (2008: 6 months KIBOR plus 2%). The loan is payable in 20 equal quarterly installments of Rs. 3.5 million commencing from January 1, 2004. The loan is secured against first charge over fixed assets and personal guarantee of the Directors.

11.3 This represents one time demand finance facility of Rs. 66.00 million and carries markup at the rate of average of 3 months KIBOR plus 2.5%. The loan is payable in 18 equal quarterly installments of Rs. 3.67 million commencing from June 2009. The loan is secured against first charge over fixed assets and personal guarantee of the Directors.

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
12. DEFERRED LIABILITIES			
Deferred taxation		178,477,598	93,668,635
Staff retirement benefits - gratuity		1,277,360	1,205,419
		179,754,958	94,874,054
13. SHORT TERM BORROWINGS			
Unsecured - from related party			
- from director	13.1	120,316,000	90,300,000
Secured - from banking companies			
- running finances	13.2	423,980,500	242,700,656
		544,296,500	333,000,656



ADAM SUGAR MILLS LIMITED

- 13.1 This represent an interest free short term loan from Chief Executive of the Company.
- 13.2 These finances are secured against pledge of refined white sugar, parri passu charge on fixed assets and personal guarantee of Directors and chief executive of the Company. Mark up is at the rates of one month KIBOR + 2.00% and three months KIBOR + 3.00% payable on quarterly basis. The maximum facilities available are Rs. 500 million.

	Note	March 31, 2009 (Unaudited)	September 30, 2008 Audited
..... (Rupees)			
14. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Creditors		38,113,225	31,019,933
Accrued expenses		3,369,160	7,350,455
Accrued markup on borrowings		13,516,131	10,977,420
Advance from customers		102,483,152	4,321,973
Sales tax and excise duty payable		7,975,371	34,108,281
Retention money		146,101	128,291
Workers profit participation fund		12,542,608	6,524,617
Workers welfare fund		7,119,838	3,671,508
Market committee fee		730,333	338,981
Income tax payable		2,381,205	-
Others		11,039,035	1,981,270
		199,416,159	100,422,729

15. CONTINGENCIES AND COMMITMENTS

There is no significant change in the status of contingencies and commitments as reported in the audited financial statements for the year ended September 30, 2008.

16. SALES – NET

Note	Half yearly ended		Quarter ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
..... Rupees				
Sales – gross	396,660,225	347,857,982	145,295,000	134,220,782
Sales tax	(44,266,872)	(43,232,309)	(12,904,201)	(12,778,469)
	352,393,353	304,625,673	132,390,799	120,974,673



17. TRANSACTION WITH RELATED PARTIES

The related parties and associated under takings comprise related group companies, local associates, directors and key management personnels. Transaction with related parties are carried out on arm's length basis.

Transactions with associated undertakings and related parties and other key management personnels under the term of their employment are as follows:

Receipt of Loan from Director	30,016,000	93,600,000
Purchase of oil and lubricants from Adam Lubricants	739,890	1,501,174
Payment of office rent to Adam Limited	90,540	181,080

18. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on 27 May, 2009 by the Board of Directors of the Company.

19. SEASONALITY OF OPERATIONS

The Sugar Industry are operating on seasonal basis normally from November to March/April. Therefore all major production cost other than fixed cost, for example cost of goods manufactured, stock and short term finances being reflected to be high on this period.

20. GENERAL

20.1 Figures for the quarter ended March 31, 2008 and 2009 were not subject to limited scope review by the auditors.

20.2 Figures have been rounded off to the nearest rupees.